



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE December 23, 2010

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Federal Family Education Loan Program Division, a Division of the Iowa College Student Aid Commission, for the year ended June 30, 2010.

The Division was established to guarantee loans made by eligible lenders to eligible students and to administer the program. The Division is responsible for the determination of lender, school and student eligibility. The Division is also responsible for reimbursement to eligible lenders for principal and accrued interest on defaulted loans guaranteed by the Commission and to establish an effective system for the collection of delinquent loans. Beginning July 1, 2010, the Health Care and Education Reconciliation Act of 2010 eliminated the Division's ability to issue new Federal Family Education Loan Program loans.

The Division had revenues of \$134,417,275 during the year, an increase of 24% over the prior year. Revenues included \$72,404,360 from the U.S. Department of Education (USDE) for federal reinsurance payments and default collections of \$43,213,212. Other revenues included federal management fees of \$4,744,537 and interest income of \$113,280.

Expenses for the year totaled \$132,750,910, a 19% increase over the prior year. Expenses included payments to lenders on defaulted loans of \$79,402,743, a 3% increase over the prior year, and default collections remitted to USDE of \$9,334,119. The Division reported \$3.471 billion of outstanding student loans guaranteed at June 30, 2010, a decrease of 8% from the \$3.773 billion subject to guarantee at June 30, 2009.

A copy of the audit report is available for review in the Iowa College Student Aid Commission's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1160-2840-B000.pdf>.

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**IOWA FEDERAL FAMILY EDUCATION LOAN PROGRAM DIVISION
IOWA COLLEGE STUDENT AID COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2010

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Basic Financial Statements:	<u>Exhibit</u>	
Governmental Funds Balance Sheet and Statement of Net Assets	A	8
Statement of Revenues, Expenditures and		
Changes in Fund Balances and Statement of Activities	B	9
Notes to Financial Statements		10-16
Supplementary Information:	<u>Schedule</u>	
Expenditures by Object – General and Special Revenue Funds	1	18
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		19-20
Staff		21

**Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission**

Officials

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Honorable Chester J. Culver

Director, Department of Management

Richard C. Oshlo, Jr.

Director, Legislative Services Agency

Glen P. Dickinson

Commission

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Michelle Durand-Adams	Member
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Michael Anderson	Director, Marketing and Communications
Jami Weems	Director, Accounting
Todd Brown	Director, Program Administration
Julie Leeper	Director, Legislative Services and Personnel
Bobbi Pulley	Director, Borrower Services
Dan Powers	Director, Technology

**Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission**



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Independent Auditor's Report

To the Members of the
Iowa College Student Aid Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements listed in the table of contents. These financial statements are the responsibility of the Iowa College Student Aid Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

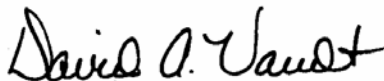
As discussed in Note 1, the financial statements of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

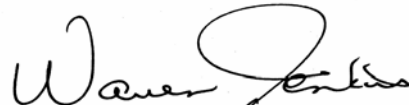
In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2010 on our consideration of the Iowa Federal Family Education Loan Program Division's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Division has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on information the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Division's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 13, 2010

Basic Financial Statements

Exhibit A

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Governmental Funds Balance Sheet
and Statement of Net Assets

June 30, 2010

	Special Revenue			Total	Adjustments	Statement of Net Assets
	General Default Prevention	Federal Student Loan Reserve	Guaranty Agency Operating			
Assets						
Cash and investments	\$ 1,702,395	25,421,227	16,225,490	43,349,112	-	43,349,112
Accounts receivable	-	158,531	2,954,163	3,112,694	-	3,112,694
Interest receivable	3,013	50,605	26,324	79,942	-	79,942
Due from other funds	-	102,353	469,712	572,065	(572,065)	-
Due from the federal government	-	4,536,115	789,503	5,325,618	-	5,325,618
Prepaid expense	-	-	15,120	15,120	-	15,120
Capital assets, net of accumulated depreciation	-	-	-	-	37,940	37,940
Total assets	\$ 1,705,408	30,268,831	20,480,312	52,454,551	(534,125)	51,920,426
Liabilities						
Current liabilities:						
Accounts payable	\$ -	53,005	1,549,088	1,602,093	54,073	1,656,166
Due to the federal government	-	2,521,639	-	2,521,639	-	2,521,639
Due to other funds	-	469,712	102,353	572,065	(572,065)	-
Compensated absences	-	-	-	-	213,565	213,565
Total current liabilities	-	3,044,356	1,651,441	4,695,797	(304,427)	4,391,370
Noncurrent liabilities:						
Accounts payable	-	-	-	-	201,413	201,413
Compensated absences	-	-	-	-	137,015	137,015
Net OPEB liability	-	-	-	-	93,694	93,694
Total noncurrent liabilities	-	-	-	-	432,122	432,122
Total liabilities	-	3,044,356	1,651,441	4,695,797	127,695	4,823,492
Fund balances/Net assets						
Fund balances:						
Unreserved, designated for the Iowa Federal Family Education Loan Program	1,705,408	27,224,475	18,828,871	47,758,754	(47,758,754)	-
Total liabilities and fund balances	\$ 1,705,408	30,268,831	20,480,312	52,454,551		
Net assets:						
Invested in capital assets					37,940	37,940
Unrestricted					47,058,994	47,058,994
Total net assets					\$ 47,096,934	47,096,934

See notes to financial statements.

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Statement of Revenues, Expenditures
and Changes in Fund Balances
and Statement of Activities

Year ended June 30, 2010

	General Default Prevention	Special Revenue		Total	Adjustments	Statement of Activities
		Federal Student Loan Reserve	Guaranty Agency Operating			
Revenues:						
Federal management fees	\$ -	-	4,744,537	4,744,537	-	4,744,537
Federal reinsurance payments	-	72,404,360	-	72,404,360	-	72,404,360
Default aversion fees	-	-	1,495,483	1,495,483	(1,495,483)	-
Default aversion rebates	-	695,217	-	695,217	(695,217)	-
Partnership loan program income	-	-	292,195	292,195	-	292,195
Interest income	(229,698)	304,803	38,175	113,280	-	113,280
Default collections	-	41,066,742	2,146,470	43,213,212	-	43,213,212
Overpayments and repurchases	-	5,596,263	-	5,596,263	-	5,596,263
Federal default fees	-	3,811,977	-	3,811,977	-	3,811,977
Fees and recoveries allocated to Guaranty Agency Operating Fund	-	-	9,429,420	9,429,420	(9,429,420)	-
Gear up grant	-	-	2,880,640	2,880,640	-	2,880,640
College access grant	-	-	311,600	311,600	-	311,600
Iowa Access	-	-	69,337	69,337	-	69,337
Other	-	257	979,617	979,874	-	979,874
Total revenues	(229,698)	123,879,619	22,387,474	146,037,395	(11,620,120)	134,417,275
Expenditures/expenses:						
Federal Family Education Loan Program administration	-	-	6,711,314	6,711,314	203,371	6,914,685
Default collections remitted to USDE	-	9,334,119	-	9,334,119	-	9,334,119
Collection expenses	-	-	6,784,528	6,784,528	-	6,784,528
Payments on defaulted loans	-	79,402,743	-	79,402,743	-	79,402,743
Tuition grants for student assistanceships	42,125	-	-	42,125	-	42,125
Default aversion fees	-	1,495,483	-	1,495,483	(1,495,483)	-
Default aversion rebates	-	-	695,217	695,217	(695,217)	-
Payments for refunds and rehabbed loans	-	20,960,571	-	20,960,571	-	20,960,571
Federal default fees	-	-	3,256,829	3,256,829	-	3,256,829
Fees and recoveries allocated to Guaranty Agency Operating Fund	-	9,429,420	-	9,429,420	(9,429,420)	-
Gear up grant expense	-	-	4,302,566	4,302,566	-	4,302,566
College access grant expense	-	-	310,000	310,000	-	310,000
Depreciation	-	-	-	-	40,343	40,343
Other	-	1,402,401	-	1,402,401	-	1,402,401
Total expenditures/expenses	42,125	122,024,737	22,060,454	144,127,316	(11,376,406)	132,750,910
Excess (deficiency) of revenues over (under) expenditures/expenses/change in net assets	(271,823)	1,854,882	327,020	1,910,079	(243,714)	1,666,365
Fund balances/net assets beginning of year	1,977,231	25,369,593	18,501,851	45,848,675	(418,106)	45,430,569
Fund balances/net assets end of year	\$ 1,705,408	27,224,475	18,828,871	47,758,754	(661,820)	47,096,934

See notes to financial statements.

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

The Iowa Federal Family Education Loan Program Division (Division) of the Iowa College Student Aid Commission (Commission), an agency of the State of Iowa, was established under Chapter 261 of the Code of Iowa to guarantee loans made by eligible lenders to eligible students and to administer the program. The Commission is attached to the Iowa Department of Education for organizational purposes.

Organization of the Commission provides for a membership of fourteen commissioners, including representatives of the Board of Regents, the Iowa Department of Education and two from each house of the State Legislature. The Governor appoints eight members, including three to represent the general public and one to represent each of the following areas: the private institutions, Community Colleges, Iowa lending institutions, Iowa post-secondary students and an individual who is repaying or has repaid a student loan guaranteed by the Commission. The four legislative representatives are non-voting members of the Commission.

The Division is responsible for the determination of lender, school and student eligibility. It is responsible for the collection or payment of the federal default fee of one percent of the principal amount of any Stafford, PLUS or SLS loans guaranteed. The Commission's Board approved the Commission to pay the fee on behalf of the borrower until January 1, 2010. When Federal legislation eliminated the Federal Family Education Loan Program, the Commission's Board chose to discontinue the payment of the default fee on any new loans guaranteed on or after January 1, 2010. After January 1, 2010, the fee is subtracted from each borrower's loan proceeds.

The Division is also responsible for reimbursement to eligible lenders for principal and accrued interest on defaulted loans guaranteed by the Commission and to establish an effective system for the collection of delinquent loans.

The financial statements of the Iowa Federal Family Education Loan Program Division have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Iowa Federal Family Education Loan Program Division has included all funds, organizations, agencies, boards, commissions and authorities. The Division has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Division are such that exclusion would cause the Division's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Division to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Division. The Iowa Federal Family Education Loan Program Division has no component units which meet the Governmental Accounting Standards Board criteria.

B. Entity-wide and Fund Financial Statements

The financial statements on pages 8 and 9 combine both an entity-wide perspective and a governmental fund perspective.

The General Fund and the Special Revenue, Federal Student Loan Reserve and Guaranty Agency Operating Funds comprise the Division's major governmental funds. The difference between assets and liabilities of the funds are referred to as "fund balance".

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Division. Governmental activities are those which normally are supported by intergovernmental revenues.

C. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the funds and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Division considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

D. Cash and Cash Equivalents

The cash balances of the Division's Funds are pooled and invested by the Treasurer of State.

E. Capital Assets

Capital assets, which include equipment with individual costs in excess of \$5,000, are recorded at historical cost. Donated assets are valued at their estimated fair value on the date donated. Depreciation of all exhaustible assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Capital assets are depreciated over a four-year life. The entity-wide Statement of Activities reports depreciation expense.

The cost of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

F. Due to the Federal Government

Due to the federal government represents the amount owed to the U.S. Department of Education for collection on loans in default.

G. Compensated Absences

State employees accrue vacation, sick and compensatory leave at rates specified in the Code of Iowa and/or collective bargaining agreements. Accumulated unused vacation leave is payable upon termination of employment. Accumulated unused sick leave is payable only upon retirement and only to limits specified in the Code of Iowa and/or collective bargaining agreements. A liability is recorded when incurred in the entity-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The liabilities for compensated absences are based on rates of pay in effect at June 30, 2010.

H. Fund Balance

The unreserved fund balance designated for the Iowa Federal Family Education Loan Program represents the amount available for actual payment of claims for defaulted loans and administration.

(2) **Cash and Investments**

The Division's deposits with the Treasurer of State throughout the year and at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. Interest income from the investment pool is credited to the fund holding the cash balance. Interest earned for the year ended June 30, 2010 totaled \$113,280.

(3) **Capital Assets**

A summary of capital asset activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Equipment	\$ 63,805	-	-	63,805
Vehicles	93,009	-	-	93,009
Less: accumulated depreciation	(78,531)	(40,343)	-	(118,874)
Total	\$ 78,283	(40,343)	-	37,940

(4) **Operating Leases**

The Commission has leased office space at 200 - 10th Street in Des Moines. The lease has been classified as an operating lease and, accordingly, all rent is charged to expense as incurred. The lease expires on October 31, 2010. Rental expense for all operating leases totaled \$183,762 for the year ended June 30, 2010.

(5) **Pension and Retirement Benefits**

The Division contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the Division is required to contribute 6.65% of covered salary. Contribution requirements are established by state statute. The Division's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$173,398, \$169,509 and \$135,385, respectively, equal to the required contribution for each year.

(6) Compensated Absences and Other Postemployment Benefits

Changes in compensated absences and other postemployment benefit obligations for the year ended June 30, 2010 are summarized as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Compensated absences	\$ 433,993	206,929	290,342	350,580	213,565
Net OPEB liability	62,396	31,298	-	93,694	-
Total	\$ 496,389	238,227	290,342	444,274	213,565

Sick Leave Insurance Program

The Sick Leave Insurance Program (SLIP) is included in the compensated absences liability. The program is an opportunity for employees who are retirement-eligible to use the value of their unused sick leave to pay the employer share of the monthly premium of the State's group health insurance plan after their retirement.

Upon retirement, employees shall first receive a cash payment for accumulated, unused sick leave converted at the employee's current regular hourly rate of pay, up to \$2,000, payable with the final payroll warrant that includes the employee's retirement date. The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated as follows, based on the number of sick leave hours the employee had before the cash payment:

If the sick leave balance is:	The conversion rate is:
Zero to 750 hours	60% of the value
Over 750 hours to 1,500 hours	80% of the value
Over 1,500 hours	100% of the value

The final calculated dollar value will be credited to the employee's Sick Leave Insurance Program (SLIP) account. Each month the Commission will pay 100% of the employer's share of the selected state group health insurance premium from the retiree's SLIP account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

The Commission will continue to pay the employer's share of the health insurance premium each month until the converted value of the employee's sick leave balance is exhausted, until the employee is eligible for Medicare, until the employee waives the benefit or until the employee dies, whichever comes first. The retired employees may stay with the same health insurance program as when employed or switch down at any time without underwriting. The converted value of the sick leave can only be applied to the employer's share of health insurance premium payments. It has no cash value and it is not transferable to another use or to an heir. If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the sick leave insurance program will be forfeited. All SLIP program benefits are financed on a pay-as-you-go basis by the Commission.

State Employee Retirement Incentive Program (SERIP)

On February 10, 2010, the Governor signed into law a state employee retirement incentive program (SERIP) for eligible executive branch employees. To be eligible, an employee must have been employed on February 10, 2010, be age 55 or older on July 31, 2010 and terminate employment no later than June 24, 2010.

Participants in the SERIP will receive the following incentives:

- 1) Unused sick leave – A cash payment of the monetary value of the participant's accrued sick leave balance, not to exceed \$2,000. The payment is calculated by multiplying the number of hours of accrued sick leave by the participant's regular hourly rate of pay at the time of retirement. This payment was made in fiscal year 2010 on the participant's last pay check.
- 2) Health insurance – A minimum of five years of state contributions toward the premiums of a state-sponsored health insurance plan either through the Sick Leave Insurance Program (SLIP), SERIP or a combination of both programs.
- 3) Unused vacation leave and years of service incentive – Cash payments including the entire value of the participant's accrued but unused vacation leave and, for participants with at least ten years of state employment, \$1,000 for each year of state employment, up to 25 years of employment. The total unused vacation leave and years of service incentive shall be paid in five equal installments beginning in September 2010 and ending in 2014.

The SERIP is financed on a pay-as-you-go basis by Commission. Four employees retired under this program and the amounts due have been recorded as accounts payable. The liability for the expected future health insurance benefits at June 30 2010 is \$151,580 and the liability for the unused vacation leave and years of service incentive installment payments at June 30, 2010 is \$103,906, or a total of \$255,486. The portion estimated to be due within one year is \$54,073.

Other Postemployment Benefits

The Commission participates in the State of Iowa postretirement medical plan (OPEB Plan). The State of Iowa recognizes the implicit rate subsidy for the OPEB Plan as required by GASB Statement No. 45.

The annual valuation of liabilities under the OPEB Plan is calculated using the entry age normal cost method. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$293,000,000 for the State of Iowa at June 30, 2010. The Commission's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB Plan are provided on a state-wide basis and are available in the State of Iowa's Comprehensive Annual Financial Report for the year ended June 30, 2010. The report may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

The Iowa Federal Family Education Loan Program Division recognized a net OPEB liability of \$93,694 for other postemployment benefits which represents the Iowa Federal Family Education Loan Program Division's portion of the State's net OPEB obligation. The Iowa Federal Family Education Loan Program Division's portion of the net OPEB obligation was calculated using the ratio of full time equivalent Iowa Federal Family Education Loan Program Division employees compared to all full time equivalent employees of the State of Iowa.

(7) Commitments and Contingencies

Loan Guarantees – The Division guarantees loans made to students. The U.S. Department of Education (USDE) reinsures the student loans up to 100% of their principal amounts based on the Division’s annual default rate. On loans made on or after October 1, 1993, the reinsurance percentage was reduced to 98% in accordance with the Omnibus Budget Reconciliation Act of 1993. At June 30, 2010, the Division was guarantor of \$3.471 billion in student loans. The state has no obligation under these student loan guarantees in the event of default.

Federal Agreements – Federal revenues are generally subject to review and audit by grantor agencies or their designees. Such audits could lead to a request for reimbursement to the federal agencies for expenditures disallowed under terms of the agreements or the assessment of informal fines. The Division recognizes material disallowances when the loss becomes probable and reasonably estimable. As of June 30, 2010, the Division estimates any disallowances of recognized revenues would not be material to the financial statements.

(8) Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are insured through commercial insurers. There were no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage for the past three fiscal years.

The State of Iowa self-insures on behalf of its agencies for losses related to workers’ compensation, its motor vehicle fleet, property damage and torts. A contingent fund exists under Section 29C.20 of the Code of Iowa to provide compensation for loss or damage to State property (casualty losses).

(9) Explanation of Differences between the Governmental Funds Balance Sheet and the Statement of Net Assets

The differences include liabilities for compensated absences, termination benefits payable and the net OPEB liability and capital assets, net of accumulated depreciation, which are not included in the governmental funds balance sheet but are included in the Statement of Net Assets, as follows:

Capital assets, net of accumulated depreciation	\$ 37,940
Net OPEB liability	(93,694)
Compensated absences	(350,580)
Termination benefits payable, included in accounts payable	(255,486)
Total	<u><u>\$ (661,820)</u></u>

(10) Explanation of Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

The differences include the increase in the net OPEB liability, termination benefits payable and depreciation expense for capital assets and the decrease in the SLIP liability and compensated absences which are not included in the Statement of Revenues, Expenditures and Changes in Fund Balances but are included in the Statement of Activities, as follows:

Increase in OPEB liability	\$ 31,298
Decrease in SLIP liability	(53,548)
Increase in termination benefits payable	255,486
Decrease in compensated absences	(29,865)
Depreciation expense	40,343
Total	<u>\$ 243,714</u>

(11) Discontinuance of the Federal Family Education Loan Program (FFELP)

The Health Care and Education Reconciliation Act of 2010, H.R. 4872, included legislation to terminate the ability of FFELP lenders to originate new FFELP loans after July 1, 2010. As a guarantee agency, the Iowa College Student Aid Commission derives revenues from FFELP loan originations, through loan processing and issuance fees (LPIF), account management fees (AMF) on the guaranteed portfolio and collections on defaulted FFELP loans.

Beginning July 1, 2010, with the elimination of new FFELP loans, the Commission will no longer receive LPIF. In addition, as loans held by various lenders/servicer's remain in an active repayment status, the guaranteed portfolio will continue to decline, resulting in a reduction in account management fees.

Supplementary Information

Schedule 1

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Expenditures by Object

General and Special Revenue Funds

Year ended June 30, 2010

	Special Revenue			Total
	General	Federal	Guaranty	
	Default Prevention	Student Loan Reserve	Agency Operating	
Federal Family Education Loan Program administration:				
Personal services	\$ -	-	3,292,713	3,292,713
Travel	-	-	47,467	47,467
Supplies and materials	-	-	205,808	205,808
Contractual services	-	-	3,073,367	3,073,367
Equipment	-	-	42,607	42,607
Licenses and permits	-	-	24,538	24,538
Other	-	-	24,814	24,814
Subtotal	-	-	6,711,314	6,711,314
Default collections remitted to USDE	-	9,334,119	-	9,334,119
Collection expenses	-	-	6,784,528	6,784,528
Payments on defaulted loans	-	79,402,743	-	79,402,743
Tuition grants for student assistanceships	42,125	-	-	42,125
Default aversion fees	-	1,495,483	-	1,495,483
Default aversion rebates	-	-	695,217	695,217
Payments for refunds and rehabbed loans	-	20,960,571	-	20,960,571
Federal default fees	-	-	3,256,829	3,256,829
Fees and recoveries allocated to Guaranty				
Agency Operating Fund	-	9,429,420	-	9,429,420
Gear Up grant expense	-	-	4,302,566	4,302,566
College access grant expense	-	-	310,000	310,000
Other	-	1,402,401	-	1,402,401
Total	\$ 42,125	122,024,737	22,060,454	144,127,316

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Members of the
Iowa College Student Aid Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission as of and for the year ended June 30, 2010, which collectively comprise the Division's basic financial statements listed in the table of contents, and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Federal Family Education Loan Program Division's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Iowa Federal Family Education Loan Program Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa Federal Family Education Loan Program Division's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Iowa Federal Family Education Loan program Division's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

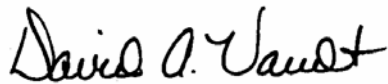
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa Federal Family Education Loan Program Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such

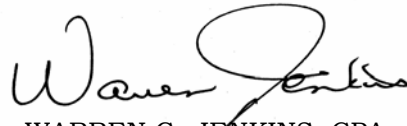
an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa College Student Aid Commission and other parties to whom the Iowa College Student Aid Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa College Student Aid Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 13, 2010

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Stephanie A. Sissel, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA
Deputy Auditor of State